

**Global Markets Research**
**Daily Market Highlights**

## 18 Dec: Equity markets closed in red ahead of FOMC decision

**USTs closed little changed; DXY up slightly as traders reaffirmed 25bps rate cut bets**

**Strong US retail sales on autos, online spending; IPI fell on mining, utilities**

**UK wage growth surprised on the upside; BOE likely to maintain status quo tomorrow**

- Global equity markets closed mostly lower ahead of the FOMC policy decision today, where investors expect another 25bps interest rate cut. However, traders have increasingly expected the Fed to be more cautious in 2025 given the economic resiliency and sticky inflation, and prospects of rates staying higher for longer have weighed on appetite for parts of the stock market.
- The 3 major equity indices in the US closed down in tune to 0.3-0.6% d/d, with all the 11 S&P 500 sectors closing in red save consumer discretionary stocks, while Stoxx Eur 600 slid 0.4% d/d with banking stocks leading losses. CSI 300 was the outlier, gaining 0.3% d/d amid reports that the Chinese leaders have decided to raise the budget deficit to 4% of GDP in 2025 to support economic growth at around 5%. Asian markets are nonetheless poised for a mixed open today, following futures.
- In the bond space, Treasury yields closed little changed and mixed between +/-1bps as traders parsed mixed economic data ahead of Fed's decision. The yield on the benchmark 2Y closed just below the flatline at 4.25%, while the 10Y yield closed just above the flatline at 4.40%. 10Y European bond yields fell 1-2bps, after closing mixed the day prior. The exception was Norwegian and UK sovereign bonds, the latter seeing yields jumping 8bps as traders trimmed rate cut bets following the pick-up in UK wage growth.
- In the forex space, DXY (+0.1% d/d to 106.96) held a slight gain following the stronger than expected US retail sales, and the Dollar strengthened against most of its G10 peers. CHF (+0.2% d/d), JPY (+0.5% d/d) and GBP (+0.2% d/d) were the outliers, the latter after data showing British wage growth picked up more strongly than expected. Asian currencies mostly tumbled amid pessimism over China's outlook and speculation that Trump may drive USD stronger. SGD closed just below its flatline at 1.3500, while MYR weakened 0.4% d/d to 4.4672.
- Crude oil prices fell for the second day, in tune to 0.9% d/d, as China's economic data continued to stoke concerns over demand and as investors remained cautious ahead of the FOMC meeting.

### Solid consumer spending data for the US; IPI fell on utilities and mining

- Mixed prints from the US. Retail sales rose than expected by 0.7% m/m in November (prior: 0.5% m/m), with seven of the 13 categories posting gains during the month. Notably, demand was firm for motor vehicle and online spending, the latter boosted by Black Friday and Cyber Monday promotions. Spending at restaurants and bars, the only service category in the retail report, nonetheless fell for the first time since March. As it is, the latest data is consistent with Fed's view that consumers have remained resilient amid

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	43,449.90	-0.61
S&P 500	6,050.61	-0.39
NASDAQ	20,109.06	-0.32
Stoxx Eur 600	513.66	-0.42
FTSE 100	8,195.20	-0.81
Nikkei 225	39,364.68	-0.24
CSI 300	3,922.03	0.26
Hang Seng	19,700.48	-0.48
Straits Times	3,799.93	-0.55
KLCI 30	1,597.33	-0.59
<b>FX</b>		
Dollar Index	106.96	0.09
EUR/USD	1.0491	-0.20
GBP/USD	1.2710	0.21
USD/JPY	153.46	-0.45
AUD/USD	0.6337	-0.53
USD/CNH	7.2881	-0.06
USD/MYR	4.4672	0.40
USD/SGD	1.3500	0.01
<b>Commodities</b>		
WTI (\$/bbl)	70.08	-0.89
Brent (\$/bbl)	73.19	-0.97
Gold (\$/oz)	2,644.40	-0.26
Copper (\$\$/MT)	8,989.50	-0.81
Aluminum(\$/MT)	2,542.50	-0.94
CPO (RM/tonne)	5,057.50	-1.82

Source: Bloomberg, HLBB Global Markets Research  
\* CPO dated as of 16 December

solid labour market and improved confidence, although some consumers have flagged concerns over higher prices from potentially new tariffs from the Trump administration.

- Industrial production (IPI), meanwhile, unexpectedly declined for a third month by 0.1% m/m in November (prior: -0.4% m/m) on weaker output for utilities and mining. Manufacturing production rose 0.2% m/m (prior: -0.7% m/m), boosted by output of motor vehicles and parts, but this remains 1.0% below its year-earlier level. Despite resolution of a machinists' strike at Boeing Co, aerospace equipment output declined, largely due to a decrease in aircraft parts production.
- The NAHB Housing Market Index, a gauge of builder sentiment, held steady but below street estimates at 46 in December as concerns over high home prices and mortgage rates were offset by renewed hope of improved regulatory business climate in 2025. This sent the future sales expectations rising to a nearly 3-year high.

#### **Eurozone's investor sentiment improved; trade surplus narrowed**

- Investors' sentiment in the eurozone, according to ZEW, was more positive at 17.0 in December (prior: 12.5), while sentiment in Germany improved 8.3 points to 15.7 for the same month. Driving the uptick for the latter was an improved economic outlook in anticipation of further rate cuts and expectations of an economic policy encouraging private investment post snap election.
- Meanwhile, the trade surplus narrowed to €6.8bn in October from €12.5bn the prior month and €9.4bn in October 2023, and may potentially narrow further in anticipation of higher tariffs from the US. As it is, the narrower surplus during the month was driven by decreased surplus in chemicals, and an increase in the deficit for energy.

#### **UK wage growth surprised on the upside despite cooling labour market**

- UK wage growth (ex-bonus: 5.2% y/y vs 4.9% y/y) for October accelerated for the first time in more than a year, while labour market continued to cool, with the number on payrolls dropping more than expected by 35k in November (prior: +24k), vacancies continued its downward trend to 818k while unemployment rate held low and steady at 4.3% in October.
- Despite the softer labour market indicators, we think that the pay growth data will carry more weight in Bank of England's (BOE) policy decision this week, and this is reflected in ours, as well as consensus forecast that bank will mostly leave its policy rate unchanged at 4.75% and any further cuts will remain gradual for now.

#### **Australia's leading index reaffirms that the economy is softening**

- Australia's leading index rose at a softer pace of 0.05% m/m in November (prior: +0.16% m/m), a sign that growth momentum has decelerated for the economy and that the central bank will likely starts its easing cycle starting 2Q of 2025. As it is, the moderation was mostly attributed to components related to consumer sentiment and commodity prices.

#### **Japan's exports beat estimate, supported by a weak yen**

- Data this morning showed that exports unexpectedly accelerated to 3.8% y/y in November from +3.1% y/y previously as a weak yen helped support demand amid rising uncertainties ahead. By destination, the uptick was driven by higher exports to China, while shipments to the US and Europe continued to wane.

### Singapore's NODX surprised on the upside

- Non-oil domestic (NODX) rebounded by 3.4% y/y in November as electronics shipments resumed their double-digit expansion, while non-electronics exports declined primarily due to pharmaceuticals. This uptick in shipment followed a 4.7% y/y drop the prior month, and was above the street forecast of 1.0% y/y drop. By region, NODX to Taiwan, Hong Kong and Malaysia grew during the month, while exports to the US, China, Japan, Thailand and the EU declined.
- The data comes after Singapore downgraded its 2024 full-year forecast for export growth to 1% (from its initial estimate of 4-5%) due to a worse-than-expected recovery in the 2H, but growth for NODX is anticipated to expand by a faster pace of 1-3% in 2025, supported by strong demand for high-end semiconductor chips amidst the PC refresh cycle and rollout of AI devices.

### House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	105-108	1ca05.78	105.51	103.40	102.37
EUR/USD	1.03-1.07	1.05	1.05	1.07	1.08
GBP/USD	1.26-1.30	1.28	1.28	1.31	1.32
USD/JPY	149-155	153	153	148	146
AUD/USD	0.62-0.65	0.65	0.66	0.67	0.68
USD/MYR	4.39-4.47	4.40	4.40	4.30	4.26
USD/SGD	1.33-1.36	1.33	1.33	1.31	1.29

Rates, %	Current	4Q-24	1Q-25	2Q-25	3Q-25
Fed	4.50-4.75	4.25-4.50	4.00-4.25	3.75-4.00	3.75-4.00
ECB	3.00	3.00	2.75	2.50	2.25
BOE	4.75	4.75	4.50	4.25	4.00
BOJ	0.25	0.25	0.50	0.50	0.50
RBA	4.35	4.35	4.35	4.10	3.85
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
18-Dec	MA Exports YoY (Nov)	1.60%
	UK CPI Core YoY (Nov)	3.30%
	UK RPI YoY (Nov)	3.40%
	UK PPI Output NSA YoY (Nov)	-0.80%
	UK House Price Index YoY (Oct)	2.90%
	US MBA Mortgage Applications	5.40%
	US Building Permits MoM (Nov)	-0.60%
	US Housing Starts MoM (Nov)	-3.10%
	US FOMC Rate Decision (Upper Bound)	4.75%
19-Dec	UK Bank of England Bank Rate (	4.75%
	US GDP Annualized QoQ (3Q T)	2.80%
	US Initial Jobless Claims	242k
	US Leading Index (Nov)	-0.40%
	US Existing Home Sales MoM (Nov)	3.40%
	JN BOJ Target Rate	0.25%

Source: Bloomberg

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